Top Glove Corporation

A Solid 4QFY25 Building into FY26

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OUTPERFORM ↔

Price: **RM0.67**

Target Price: **RM0.75 ↔**

TOPGLOV's FY25 missed Kenanga's expectation but came in line with consensus'. We expect earnings to gain momentum driven by higher sales moving into FY26. In fact, 4QFY25 showed marked improvement in bottomline, underpinned by higher volume sales indicating that demand or order replenishment is returning. It expects 1QFY26 volume sales to grow 10% QoQ on the back of order replenishment, U.S. orders picking up, and better showing in Europe. We keep our forecasts, TP of RM0.75 and OUTPERFORM call.

TOPGLOV's FY25 reported core net profit of RM51m came in below our expectation by 25% but meet consensus full-year net profit forecast of RM59m. **More importantly, 4QFY25 core net profit of RM23m is driven by higher volume sales growth, a potential pre-cursor that demand is returning.**

QoQ, 4QFY25 revenue rose 7% due to higher sales volume (+17%) which more than offset a lower ASP (-5%). Correspondingly, EBITDA rose 16%, due to higher revenue leading to better-than-expected economies of scale. As a result, core profit rose to RM23m in 3QFY25 compared to RM5m the previous corresponding quarter.

YoY, FY25 revenue rose 39% largely due to a higher sales volume (+55%). The full-year core EBITDA margin of 11.5%, marking a significant improvement from 5% in FY2024, and remains 3-4 ppts below FY2019 level, reflects the overall group improvement in the post Covid period. At the net level, it returned to the black in FY25 with a core net profit of RM51m compared to a loss of RM162m in FY24 due to the absence of high-cost inventory (which weighed on its performance then). A final 0.48 sen dividend per share was declared this quarter as expected.

The key takeaways from the analysts briefing are as follows:

1. It guided utilisation to be higher in 1QFY26. In fact, 4QFY25 utilisation rate was 71% compared to 61% in 3QFY25 (58% in 2QFY25). In 4QFY25, volume sales rose for nitrile (+9%) and latex (+25%). It reiterated the lower ASP in both nitrile (-1%) and natural latex (-9%) were attributed to lower input raw material costs rather than to gain market share. Generally, raw material prices were on the decline QoQ in both average natural latex concentrate prices (-14%) and nitrile latex prices (-10%). There was no specific guidance on ASP going forward but the group highlighted that its nitrile ASP gap has narrowed against the Chinese players by USD0.50 compared to USD3/1,000 pieces three years ago. The group is optimistic on demand trends, as there is only so long customers can hold off buying. It expects 1QFY26 volume sales to grow at 10% QoQ on the back of order replenishment and U.S. orders picking up following the frontloading effects of US customers and better showing from Europe due to orders visibility secured there.

2. The group highlighted that its exports to the US continued to show improvement which rose 58% QoQ in 4QFY25 (QoQ, 3QFY25: +24%). It is targeting US to account for 40% of group volume sales over the next two years. U.S. sales accounted for 35% of total group volume sales (2QFY25: 26%), above the 15% mix for FY24, and higher than the pre-pandemic average of 20%−30%. In order to mitigate competitive pressure in non-U.S. markets such as Europe, where China manufacturers' aggressive nitrile glove

Share Price Performance

KLCI	1,629.67
YTD KLCI change	-0.8%
YTD stock price change	-50.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	TOPG MK
Market Cap (RM m)	5,372.0
Shares Outstanding	8,017.8
52-Week Range (H)	1.44
52-Week Range (L)	0.57
3-Mth Avg. Daily Vol.	21,170,240
Free Float	49%
Beta	1.0

Major Shareholders

Tan Sri Dr Lim Wee Chai	28.3%
Central Depository Pte Ltd	11.3%
Firstway United Corp	6.9%

Summary Earnings Table

FY Aug (RM m)	2025A	2026F	2027F
Turnover	3489	3955	3982
PBT / (LBT)	154	195	199
Net Profit / (Loss)	109	135	140
Core NP / (Loss)	55	135	140
Consensus NP	-	132	196
Earnings Revision (%)	-	-	NEW
EPS (sen)	1.3	1.6	1.7
EPS Growth (%)	(268.1)	23.9	3.5
NDPS (sen)	0.48	0.82	0.85
BVPS (RM)	0.58	0.59	0.60
PER (x)	50.4	40.7	39.3
PBV (x)	1.2	1.1	1.1
Net gearing (%)	6%	2%	1%
Net Div. Yield (%)	0.7	1.2	1.3

pricing strategies may pose challenges, it can switch between natural rubber and nitrile glove production lines. Theoretically, US ASP is higher than in Europe and hence translates to better margins. Given its sheer size in capacity, we view their strategy to gain more market share in the US sensible as higher utilisation would provide better economies of scale and lead to lower cost per unit.

Forecasts and Valuations. We keep our forecasts and introduce FY27F earnings. We maintain our TP of RM0.75 based on unchanged 1.3x FY26F BVPS. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 3). Reiterate **OUTPERFORM**.

Key risks to our recommendation include: (i) certain Chinese glove giants ramping up predatory pricing practices (i.e. selling below cost over an extended period of time to eliminate competitors), (ii) weaker-than-expected growth in demand for gloves due to slower-than-anticipated hygiene standards implementation and health awareness globally, and (iii) unfavourable changes in tariffs to Malaysian glove makers.

Results Highlights

FYE Aug (RM m)	4Q FY25	3Q FY25	QoQ Chg %	4Q FY24	YoY Chg %	12M FY24	12M FY25	YoY Chg %
Turnover	889.6	830.3	7.2	833.7	6.7	2,514.4	3,489.4	38.8
EBITDA / (LBITDA)	98.1	89.2	16.3	32.7	217.0	154.9	397.8	156.8
Depreciation	(77.2)	(78.0)	(1.0)	(70.7)	9.2	(287.5)	(305.9)	6.4
EBIT (LBIT)	20.8	11.2	136.2	(38.0)	NM	(132.6)	91.9	(169.3)
Net interest income	12.3	(7.7)	NM	3.6	NM	2.8	6.3	121.0
Associates	(1.2)	(2.1)	(44.5)	1.1	NM	1.7	(1.6)	(192.7)
EI^	15.8*	29.7	(66.0)	39.4	(74.3)	96.7	57.9*	(40.2)
PBT / (LBT)	47.8	31.2	53.3	6.0	NM	(31.3)	154.4	NM
Taxation	(12.2)	3.2	NM	(1.9)	557.5	9.9	(26.5)	NM
Minorities	3.0	0.3	NM	(10.8)	(127.5)	(43.5)	(18.8)	(56.7)
PATAMI / (LATAMI)	38.6	34.7	11.0	(6.6)	(681.0)	(64.9)	109.1	(268.1)
Core PATAMI/(LATAMI)	22.8	5.0	NM	(46.0)	(161.9)	(161.6)	51.2	(131.7)
EPS / (LPS) (sen)	0.5	0.4	13.2	0.0	(31.7)	-0.81	1.4	(267.9)
EBITDA margin (%)	11.0%	10.7%		3.9%		6.2%	11.4%	
PBT margin (%)	5.4%	3.8%		0.7%		-1.2%	4.4%	
NP margin (%)	4.3%	4.2%		-0.8%		-2.6%	3.1%	
Effective tax rate (%)	25.6%	-10.3%		30.9%		31.7%	17.2%	

Source: Company, Kenanga Research, Bursa Malaysia
^ gain from sale of PPE
** gain from sale of PPE, fair value loss on bonds disposal (RM9m), recognition of late payment interest income from a long overdue receivable (RM17m) and impairment from PPE (RM12m)*

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	☆	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★		
	Effluent/Waste Management	★	★	★		
	Automation & Innovation	★	★	★	☆	
	Energy Efficiency	★	★	★	☆	
	Supply Chain Management	★	★	★		
	Legal & Regulatory Compliance	★				
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
HARTALEGA HOLDINGS BHD	OP	1.30	2.30	76.9%	4,437	Y	03/2026	2.7	6.4	25%	133%	47.5	20.4	1.0	2.1%	2.0	1.5%
KOSSAN RUBBER INDUSTRIES	OP	1.30	2.70	107.7%	3,287	Y	12/2025	6.4	6.4	36%	1%	20.4	20.2	0.9	4.4%	4.0	3.1%
SUPERMAX CORP BHD	MP	0.505	0.490	-3.0%	1,544	N	06/2026	(1.4)	0.9	-128%	-33%	N.A.	54.2	0.4	-1.1%	0.0	0.0%
TOP GLOVE CORP BHD	OP	0.670	0.750	11.9%	5,372	Y	08/2026	1.6	1.7	145%	4%	40.7	39.3	1.1	2.8%	0.85	1.3%

Source: Kenanga Research

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Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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